

Discussion Document October 8, 2002

Issues and Recommendations

The issues and recommendations listed below come from written comments from the state energy strategy advisory committee, committee discussions at meetings, and general policy recommendations. These represent a mix of both very general policy observation and specific recommendations. For easy of organization the issues/recommendations are roughly grouped into nine categories used in the 1993 strategy. (The source of each specific issue/recommendation is indicated in parenthesis.)

(Additions since the 9/17 meeting are indicated in italics)

A. Electricity Conservation

1. The state should be a leader in energy efficiency and clean energy consumption. This would flow from the audit portion of the 2001 comprehensive energy legislation, as well as SB 6718 from the past session. (Senator Karen Fraser)
2. We need to ensure that energy efficiency has stable, long-term investment rather than the boom and bust cycle that has characterized it in the past. (Senator Karen Fraser)
3. The state should investigate setting efficiency standards for appliance and equipment categories not preempted by federal statute. (Nancy Hirsch, NWECC)
4. State government should reiterate its commitment to Gov's executive directive (#01-01) on energy conservation by state agencies. (Nancy Hirsh, NWECC)
5. The state should urge the Northwest Power Planning Council (NWPPC) to reestablish its assessment of conservation achievement e.g. Red Book.
6. Tax incentives for conservation.
7. Cost-effective utility consumer incentives.
8. Rate design to encourage conservation/efficiency.
9. *The state, NWPPC, and utilities should investigate Northwest and national demand management programs and policies (incentives, rate design, monitoring, etc.) that could produce energy savings and improved electric system efficiency.*

B. Renewable Energy Sources

1. The state should be a leader in energy efficiency and clean energy consumption. This would flow from the audit portion of the 2001 comprehensive energy legislation, as well as SB 6718 from the past session. (Senator Karen Fraser)
2. Statewide renewable portfolio standard. (Nancy Hirsh, NWECC)
3. Statewide standard for acquiring cost-effective energy efficiency. (Nancy Hirsh, NWECC)
4. Tax incentives for renewables.

5. Support for research and development of renewable technologies.
6. Public sector purchase of renewable energy.

C. Low-Income Assistance

1. Support Congressional budgets for weatherization and low-income assistance.
2. Support BPA and utility low income assistance and weatherization efforts.
3. Encourage rate structures that protect low income citizens.
4. *Ensure access to basic energy services for all citizens. [Already included in guiding principles] (Don Andre, SNAP)*
5. *Better define the low-income energy problem. This should include data collection efforts by the UTC and utilities. What is the number of shut-offs and what is the cost? (Don Andre, SNAP)*
6. *Develop better ways to determine who should receive assistance. (The 'energy burden' or portion of income that goes to energy may be a way to do this.) (Don Andre, SNAP)*
7. *What is the state role for weatherization?*
 - *State funding of the energy – Matchmaker*
 - *Regulated investments from the IOU's*
 - *Support for weatherizing the current population more quickly (Don Andre, SNAP)*

D. Finance

1. Building transmission lines and renewable resources and acquiring conservation are all capital-intensive endeavors. We need to focus on where the funding will come from. High utility rates have contributed to the State's depressed economy. Raising rates to generate additional revenue for capital programs will be a hard sell. Home and business owners are also facing tighter budgets that may restrict their ability to contribute their share of the costs for utility renewable and conservation programs regardless of the long-term benefits. (Bob Titus, City of Ellensburg)
2. Construction of utility infrastructure is extremely cash intensive. Because of the significant hardship that recent retail electric rate increases have created upon the electric consumers across the northwest, utility spending on system improvements for reliability or capacity will be difficult. As such, only lost opportunity conservation and renewable energy programs should be funded at this time. (Chuck Dawsey, WRECA)
3. The impacts of higher wholesale electricity rates on retail consumers as well as utility investments in new generation, infrastructure, and conservation, need to be addressed or somehow recognized in the report. (Jim Davis, WAPUDA)
4. A predictable and stable investment climate must be created to encourage the development of cost effective, environmentally sound generation and transmission infrastructure. (Craig Cole, Brown & Cole Stores)

5. Need to rebuild support from the financial community so that dollars are available to invest in new infrastructure for the electric industry. (Kelly Norwood, Avista Utilities)
6. *Utilities should partner with customers to produce efficiency and productivity increases.* (Ron Peterson, Avista Utilities)
7. *Be more creative in our use of incentives.* (Ron Peterson, Avista Utilities)
8. *Include economic development support in our efforts.* (Ron Peterson, Avista Utilities)
9. *Identify the dollar amounts for things like low-income programs, infrastructure improvements, etc. (Who?)* (9/17 recommendations discussion)
10. *Continue supportive government leadership on finance issues (For example, Marilyn Showalter's comments to Wall Street. Washington State distinguished itself from California regulators.)* (9/17 recommendations discussion)
11. *Pursue ways that help ensure utilities have access to the financial markets*
 - *What does the utility have to do to improve financial rating? There are five measures that rating agencies use to determine bond ratings. Identify these measures and ways to bolster utility performance in each.* (9/17 recommendations discussion)
12. *Maintain consistent regulatory processes.*
13. *Recognize the impact the regulatory process can have on the financial markets.* (9/17 recommendations discussion)
14. *Support the ability of utilities to manage their portfolios on a prospective basis. Need to support the ability of utilities to buy long-term power as part of their portfolio. This helps provide long-term resource stability.* (9/17 recommendations discussion)
15. *Need clear standards and direction from the Washington Utilities and Transportation Commission (WUTC.)* (9/17 recommendations discussion)
16. *Support market transparency.* (9/17 recommendations discussion)
17. *If a utility obtains a take or pay contract, they need assurance that the load they are serving will be there to use this power. We need to look at territorial allocation and define areas to be sure utilities have the ability to serve the customers they are buying power for.* (9/17 recommendations discussion)
18. *The state tax structure has a large impact on Independent Power Producers (IPP.) The business tax on labor is significant.* (9/17 recommendations discussion)
19. *Enhance the IOU's certainty of state recovery for their infrastructure investments.* (Paul Norman, BPA)

E. Siting Energy Facilities/ Infrastructure

Energy Facility Site Evaluation Council (EFSEC) functions were reviewed and legislature enacted changes in 2001/02 sessions. EFSEC has a process underway to adopt specific siting standards.

1. EFSEC should continue its process to establish clear, quantifiable standards for energy facility siting.
2. *Transmission – upgrades and new*
 - a. *Evaluate the least cost methods for reducing congestion.*
 - b. *EFSEC was created because there was a state public interest in siting generation. This also applies to transmission.*
 - c. *How does new and incremental transmission get built and who pays. Right now the IPP pays for upgrades associated with a new generation facility. (9/17 recommendations discussion.)*
3. *Encourage something similar (clear standards) for non-EFSEC generation (advisory for local governments.) (9/17 recommendations discussion)*

F. Regional and National Issues

1. *Support increase in BPA Treasury authority. (Paul Norman, BPA)*
2. *Support the ongoing Energy Northwest Refinancing Program as a means of enhancing BPA Capital availability. (Paul Norman, BPA)*
3. *Clarify long-term post 2006 rights to federal system power and responsibilities to add resources to meet load growth to ensure utilities willingness to make long-term resource investments. (Paul Norman, BPA)*
4. *Fully explore cost-effective third party financing sources to supplement federal borrowing. (Paul Norman, BPA)*
5. *Give fair and full consideration to BPA Credit Support for resource development by the Aluminum Industry to encourage the industry's increased energy self-sufficiency. (Paul Norman, BPA)*

G. Environmental

1. *Energy Facility Siting Council (EFSEC) standards for power plant siting in the areas of:*
 - *Air Quality, Fish and Wildlife Impacts, Greenhouse Gas Mitigation, Noise, Seismic Issues, Water Quality, Water Quantity, Wetlands.*
2. *Greenhouse Gas (GHG) standards for energy facilities below the EFSEC threshold.*
3. *OTED should determine GHG emissions for state facility operations and recommend methods to mitigate those emissions.*
4. *The state should fully implement governor's executive order on sustainability- EO 02-03.*

H. Natural Gas

1. In order for consumers to benefit from our endeavors, they must be offered choices. That is why not-for-profit utilities such as public utility districts should be authorized by the legislature to be key players and providers of all utility services. It has been proven over time that the competition between investor-owned and consumer-owned utilities has benefited the citizens of our state. For example, an unresolved issue in the 1992 energy strategy was authorization for PUDs to provide natural gas. (Jim Davis, WAPUDA)
2. Natural gas usage is expected to increase substantially in the next few years, primarily as the fuel of choice for new power generation. At some point the State needs to determine if natural gases best use is for power generation or direct use in homes and businesses or a mixture of the two. Once a determination is made, the State should identify suitable incentives to achieve the appropriate mix of uses. (Bob Titus, WAPUDA)

I. Energy Emergency/Security

1. Promote the safety and security of energy and energy-related facilities. (Kelly Norwood, Avista Utilities)
2. Complete planning efforts for electricity and infrastructure security as part of Emergency Management Council Committee on Terrorism.
3. Maintain and regularly update electricity emergency/contingency plans.